

Interim Consolidated Statement of Source  
and Use of Funds—(Thousands of dollars)

**6** months  
ended  
June 30

**SOURCE OF FUNDS**

Funds derived from operations.....	<b>1974</b>	<b>1973</b>
\$12,661	\$10,920	
Investments realized.....	403	627
Working capital of subsidiaries acquired.....	160	22
	<b>\$13,224</b>	<b>11,569</b>

**USE OF FUNDS**

Dividends paid.....	4,960	3,774
Additions to fixed assets, net.....	3,717	2,770
Investments acquired.....	40	190
Long term debt repaid or currently payable.....	2,851	2,983
Acquisition of subsidiaries.....	1,220	2,700
Other minor items.....	47	130
	<b>12,835</b>	<b>12,547</b>
Increase (decrease) in working capital.....	<b>\$ 389</b>	<b>\$ (978)</b>

**SOUTHAM PRESS LIMITED**

**Daily Newspapers**

The Spectator, Hamilton  
The Citizen, Ottawa  
The Calgary Herald  
The Edmonton Journal  
The Winnipeg Tribune  
The Province, Vancouver  
(Published for Pacific Press Limited)  
The Medicine Hat News  
The North Bay Nugget  
The Gazette, Montreal  
The Owen Sound Sun-Times  
The Citizen, Prince George  
The Brantford Expositor  
The Windsor Star

**Business Newspapers**

Financial Times of Canada, Montreal  
Journal of Commerce, Vancouver  
Daily Commercial News, Toronto

**Business Publications and Shows**

Southam Business Publications Limited,  
Don Mills, Ont.  
National Business Publications Limited,  
Gardenvale, Que.  
Seccombe House Limited, Don Mills, Ont.  
Southex (1970) Limited, Don Mills, Ont.  
Grant Smedmor Limited, Don Mills, Ont.  
Canadian Mailings Limited, Don Mills, Ont.  
C.O. Nickle Publications Co. Ltd., Calgary, Alta.  
Les Publications Éclair Ltée, Montreal, Que.

**Printing**

Southam Printing Limited, Toronto, Ont.  
Southam Murray, Weston, Ont.  
Offset Print & Litho Limited, Don Mills, Ont.  
Gazette Canadian Printing Ltd., Montreal, Que.  
Southam Business Forms, Candiac, Que.  
Southam Specialty Printing, Candiac, Que.  
Southam Farwest Printing Limited, Burnaby, B.C.  
Canadian Publishers Company Limited,  
Winnipeg, Man.

**SOUTHAM PRESS LIMITED**

Interim  
report

**6**

months  
ended  
June 30, 1974



**AR21**

Danvers

Results for the second quarter reflect a buoyant sales environment for all major divisions. Newspaper advertising volumes increased substantially and demand for our commercial printing and business publications and shows is also at record levels. Some price adjustments were effected during the quarter.

The very rapid escalation in operating expense is partly a reflection of higher labour and material costs being experienced by all industries but also because of the larger than normal contribution of commercial printing divisions which traditionally enjoy lower margins than newspaper operations.

Overall, revenues in the second quarter were ahead of our expectations but a general cost squeeze is apparent. The second half should continue the same pattern. Prices are being adjusted where necessary to counteract substantial wage increases and higher cost for paper and other supplies.

The rate of growth of gross margins is being maintained. However, working capital requirements have increased substantially and, in this period of inflation, funds provided by depreciation are not nearly sufficient to pay for the replacement of physical assets.

Work has been started on the new plant for The Spectator.

The introduction of new production processes continues with some inhibiting effect on current income. During the quarter labour negotiations at some divisions involved production interruptions and this too had a minor impact on operating results.

The regular quarterly dividend of 20 cents per share on the Class A shares and 17 cents on the Class B shares has been declared payable September 30 to shareholders of record September 16.

Yours sincerely,

President

## Interim Consolidated Statement of Income (not audited)

(Thousands of dollars except per share amounts)

**3 months  
ended  
June 30**

Revenue from operations:	
Newspapers.....	\$ 34,396
Printing.....	16,094
Business publications and shows .....	6,126
	<u>56,616</u>
Costs and operating expenses.....	45,634
Depreciation.....	1,215
Amortization of goodwill.....	45
Interest.....	633
	<u>47,527</u>
Equity in net earnings of companies at least 50 per cent owned.....	9,089
Income from other investments.....	989
	<u>10,078</u>
Income taxes (estimated).....	219
Net income before extraordinary item.....	10,297
Extraordinary item (net of tax).....	4,393
Net income.....	<u>5,904</u>
Net income—per share before extraordinary item.....	47¢
Net income per share.....	47¢
Dividends paid—5 per cent preferred shares.....	\$ 27
Dividends paid—Class A shares....	\$ 2,104
Dividends paid—Class B shares....	\$ 377
Dividends paid—per share—Class A	20¢
Dividends paid—per share—Class B	17¢

**6 months  
ended  
June 30**

Revenue from operations:	
Newspapers.....	\$ 62,931
Printing.....	29,095
Business publications and shows .....	11,599
	<u>103,625</u>
Costs and operating expenses.....	85,622
Depreciation.....	2,390
Amortization of goodwill.....	90
Interest.....	1,047
	<u>89,149</u>
Equity in net earnings of companies at least 50 per cent owned .....	14,476
Income from other investments.....	1,655
	<u>16,131</u>
Income taxes (estimated).....	447
Net income before extraordinary item.....	16,578
Extraordinary item (net of tax).....	6,967
Net income .....	<u>9,611</u>
Net income—per share before extraordinary item.....	814
Net income—per share.....	814
Dividends paid—5 per cent preferred shares.....	\$ 54
Dividends paid—Class A shares....	\$ 4,218
Dividends paid—Class B shares....	\$ 688
Dividends paid—per share—Class A	40¢
Dividends paid—per share—Class B	34¢

	<b>1974</b>	<b>% Change</b>	<b>1973</b>
Revenue from operations:			
Newspapers.....	\$ 34,396		\$ 29,280
Printing.....	16,094		11,116
Business publications and shows .....	6,126		5,048
	<u>56,616</u>	+24.6	<u>45,444</u>
Costs and operating expenses.....	45,634		35,602
Depreciation.....	1,215		1,119
Amortization of goodwill.....	45		—
Interest.....	633		329
	<u>47,527</u>	+28.3	<u>37,050</u>
Equity in net earnings of companies at least 50 per cent owned.....	9,089	+ 8.3	8,394
Income from other investments.....	989		684
	<u>989</u>		<u>197</u>
Income taxes (estimated).....	219		9,275
Net income before extraordinary item.....	10,297	+11.0	3,986
Extraordinary item (net of tax).....	4,393	+10.2	—
Net income.....	<u>5,904</u>	+11.6	<u>5,289</u>
Net income—per share before extraordinary item.....	47¢		320
Net income per share.....	47¢		—
Dividends paid—5 per cent preferred shares.....	\$ 27		\$ 27
Dividends paid—Class A shares....	\$ 2,104		\$ 1,860
Dividends paid—Class B shares....	\$ 377		—
Dividends paid—per share—Class A	20¢		15¢
Dividends paid—per share—Class B	17¢		—

	<b>1974</b>	<b>% Change</b>	<b>1973</b>
Revenue from operations:			
Newspapers.....	\$ 62,931		\$ 54,919
Printing.....	29,095		22,255
Business publications and shows .....	11,599		9,603
	<u>103,625</u>	+19.4	<u>86,777</u>
Costs and operating expenses.....	85,622		70,588
Depreciation.....	2,390		2,158
Amortization of goodwill.....	90		—
Interest.....	1,047		596
	<u>89,149</u>	+21.6	<u>73,342</u>
Equity in net earnings of companies at least 50 per cent owned .....	14,476	+ 7.7	13,435
Income from other investments.....	1,655		1,080
	<u>16,131</u>		<u>387</u>
Income taxes (estimated).....	447		14,902
Net income before extraordinary item.....	16,578	+11.2	6,358
Extraordinary item (net of tax).....	6,967	+ 9.6	—
Net income .....	<u>9,611</u>	+12.5	<u>8,544</u>
Net income—per share before extraordinary item.....	814		320
Net income—per share.....	814		—
Dividends paid—5 per cent preferred shares.....	\$ 54		\$ 54
Dividends paid—Class A shares....	\$ 4,218		\$ 3,720
Dividends paid—Class B shares....	\$ 688		—
Dividends paid—per share—Class A	40¢		30¢
Dividends paid—per share—Class B	34¢		—